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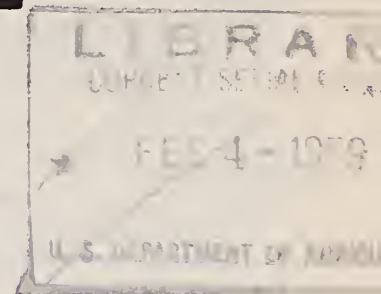


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# DEMAND and PRICE SITUATION

DPS-49



Approved by the Outlook and Situation Board, January 19, 1959

## SUMMARY

Prices received by farmers in 1958 averaged over 5 percent above 1957, substantially due to higher prices for cattle and hogs. However, with record crops harvested and increased marketings of hogs, prices of farm products declined last fall and in mid-December averaged only slightly above a year earlier. Farm cost rates, as indicated by the index of prices paid by farmers for commodities, interest, taxes and wage rates, continued their persistent uptrend, averaging some 3 percent higher for the year as a whole as well as 3 percent higher in mid-December than in mid-December 1957.

With improved prices for some products in 1958 and an 11 percent increase in crop output, farmers' incomes were sharply increased last year, despite increased production costs. The first estimates -- to be revised in the March 5 Farm Income Situation after receipt of more complete information on marketings and the change in farm inventories during 1958 -- indicate a rise of about 10 percent in cash receipts from farm marketings over 1957, and

(Continued on page 3)

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AGRICULTURAL MARKETING SERVICE  
UNITED STATES DEPARTMENT OF AGRICULTURE

## ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1957		1958				
		Year	Dec.	Sept.	Oct.	Nov.	Dec.	
Industrial production: Seasonally adj. <u>1/</u>								
Total	1947-49=100	143	135	137	138	141	142	
All manufactures	do.	145	137	139	140	144	144	
Durable goods	do.	160	146	145	146	152	152	
Nondurable goods	do.	130	127	133	134	135	136	
Minerals	do.	128	123	123	122	123	123	
Construction:								
Total outlays, seasonally adjusted <u>2/</u>	Mil. dol.	48,492	4,175	4,119	4,279	4,378	4,473	
Public construction	Mil. dol.	14,354	1,293	1,272	1,335	1,363	1,424	
Private residential	Mil. dol.	17,019	1,461	1,540	1,623	1,682	1,715	
Housing starts	Thousands	1,042	1,000	1,220	1,260	1,330	1,430	
Manufacturers' sales and inventories: <u>2/</u>								
Total sales, seasonally adjusted	Mil. dol.	28,383	26,690	26,804	27,158	27,627		
Durable goods	Mil. dol.	14,159	13,092	12,723	12,943	13,393		
Unfilled orders-sales ratio <u>6/</u>		3.40	3.68	3.43	3.35	3.26		
Inventory-sales ratio <u>6/</u>		1.89	2.01	1.84	1.82	1.79		
Durable goods		2.20	2.38	2.20	2.16	2.08		
Employment and wages: <u>7/</u>								
Total civilian employment	Millions	65.0	64.4	64.6	65.3	64.7	64.0	
Nonagricultural	do.	58.8	59.0	58.4	58.9	59.0	59.1	
Unemployment	do.	2.9	3.4	4.1	8.8	3.8	4.1	
Workweek in manufacturing	Hours	39.8	39.4	39.9	39.7	39.9	40.2	
Hourly earnings in manufacturing	Dollars	2.07	2.10	2.14	2.14	2.17	2.19	
Income and spending:								
Personal income payments <u>2/</u> <u>3/</u>	Bil. dol.	347.9	348.4	357.8	357.5	360.4	359.3	
Consumer credit outstanding <u>1/</u>	Mil. dol.	44,776	44,776	43,238	43,164	43,464		
Automobile	Mil. dol.	15,496	15,496	14,444	14,164	14,066		
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	16,668	16,855	16,562	16,941	16,961	17,484	
Durable goods	Mil. dol.	5,705	5,588	5,095	5,374	5,521	5,734	
Inventory-sales ratio <u>6/</u>		1.47	1.45	1.43	1.39	1.39		
Prices:								
Wholesale prices, all commodities <u>4/</u>	1947-49=100	118	118	119	119	119	119	
Commodities other than farm and food	do.	126	126	126	126	127	127	
Farm products	do.	91	93	93	92	92	91	
Foods processed	do.	106	107	111	110	110	109	
Consumer price index, all items <u>4/</u>	1947-49=100	120	122	124	124	124		
Food	do.	115	116	120	120	119		
Prices received by farmers <u>8/</u>	1910-14=100	242	243	258	252	251	246	
Crops	do.	233	219	232	227	225	220	
Livestock and products	do.	249	263	280	275	274	270	
Prices paid, interest, taxes and wage rates <u>8/</u>	1910-14=100	296	299	305	307	308	308	
Family living items	do.	286	289	290	291	293	291	
Production items	do.	258	263	272	271	272	273	
Parity ratio <u>8/</u>		82	81	85	82	81	80	
Farm income and marketings: <u>8/</u>								
Volume of farm marketings	1947-49=100	116	127	145	178	159		
Cash receipts from farm marketings	Mil. dol.	29,757	2,801	3,286	3,928	3,500		

Annual data for most of these items for the years 1929 and 1939-57 appear on page 35 of the April 1958 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates. 4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Unfilled orders for durables divided by monthly deliveries. 6/ Inventories, book value, end of month, divided by sales. 7/ Bureau of the Census. 8/ U. S. Department of Agriculture, Agricultural Marketing Service.



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 T H E D E M A N D A N D P R I C E S I T U A T I O N  
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a gain of about 20 percent in farm operators' realized net farm income. Accordingly, despite a slight increase in the number of farm people in 1958 and probably no significant change in their income from nonfarm sources, per capita income of the farm population is tentatively estimated at a new record high.

For the economy as a whole, gross national product in 1958 totaled 437 billion dollars, down less than 1 percent from 1957 according to the preliminary estimate of the U. S. Department of Commerce. The recovery from the recession continued in the fourth quarter of the year. Consumer incomes during 1958, bolstered by substantial unemployment compensation and social security payments, ran consistently ahead of 1957, contributing to the strong demand for food which characterized the past year.

Federal budget expenditures in the current fiscal year are now estimated to total 80.9 billion dollars, 9 billions above those for fiscal 1958. Expenditures for agriculture increased from 4.4 billions to 6.8 billions, largely reflecting the heavier price support activities occasioned by record harvests. For the fiscal year 1960, the President's Budget message to Congress proposes a reduction in federal budget expenditures to 77 billion dollars, including a drop in the expenditures for agricultural programs to 6 billion dollars.

Commodity Highlights

Livestock slaughter and meat production will be larger in 1959 than in 1958. Supplies of hogs will increase substantially and prices will be considerably lower in 1959.

Milk production in 1958 reached 126.1 billion pounds, down slightly from the 1957 record; the number of cows on farms declined more in 1958 than in any year since 1948.

Egg production in every month of 1959 is likely to exceed the corresponding month of 1958. Broiler supplies from now until at least early April are expected to be nearly 15 percent above a year earlier.

Indications are that the soybean carryover next October 1 will be around 90 million bushels, 70 million bushels above last October and 15 percent of the 1958 crop.

With feed grain prices approaching 1958 support levels, any further rise in the next few months will be less than usual for this time of year.

Early December conditions point to a winter wheat crop of .957 million bushels, a sharp decline from the record 1958 crop but still 17 percent above the 1948-57 average.

Production of vegetables for winter harvest, as of January 1, was indicated at 12 percent above last year's freeze-reduced output but about in line with the 1949-57 average. Prices are expected to average much lower than a year earlier when they were at or near record levels. Despite prospects for a smaller winter crop, current heavy stocks of potatoes mean continuing burdensome supplies and low prices throughout the winter.

Prices of Florida oranges and grapefruit are expected to average below the high levels of the same time in 1958 but probably higher than in the first half of 1957.

The current level of cotton exports indicates that the total for 1958-59 will fall below 4 million bales, compared with the 1957-58 export of 5.7 million. Total disappearance may thus fall below 12 million bales compared with 13.7 million in 1957-58. This would still permit a small reduction in carryover.

The 1958-59 supplies of fire-cured and dark air- and sun-cured tobacco are about 7 or 8 percent smaller than for 1957-58 and the lowest for many years but still ample in relation to domestic use and exports.



## THE FEDERAL BUDGET FOR 1959-60

Government transactions increased substantially during fiscal years 1957-58 and 1958-59. Federal purchases of goods and services were up about 3 billion dollars from the last quarter of 1957 to the third quarter of 1958. A stepped-up national security program, higher price support activity of the Commodity Credit Corporation and increases in wages and salaries of Federal employees were principally responsible. State and local Government purchases continued to trend up throughout the past year. Transfer payments, such as unemployment benefit and social security payments rose 5 billion dollars during the recession. Much of the increase reflected higher unemployment benefit payments.

Table 1.--Budget receipts expenditures and surplus or deficit  
fiscal years 1954-55 to 1959-60

Fiscal year	Budget receipts	Budget expenditures			Surplus ( + ) or Deficit ( - )
		Total	Major national security	Agriculture and agricultural resources	
	<u>Bil. dol.</u>	<u>Bil. dol.</u>	<u>Bil. dol.</u>	<u>Bil. dol.</u>	<u>Bil. dol.</u>
1955	60.4	64.6	40.6	4.4	-4.2
1956	68.2	66.5	40.6	4.9	+1.6
1957	71.0	69.4	43.3	4.5	+1.6
1958	69.1	71.9	44.1	4.4	-2.8
1959 <u>1/</u>	68.0	80.9	46.1	6.8	-12.9
1960 <u>1/</u>	77.1	77.0	45.8	6.0	+1

1/ Estimate.

Bureau of the Budget.

Based on the President's Budget which was transmitted to the Congress on January 19, Federal budget expenditures in the fiscal year 1959-60 would be reduced almost 4 billion dollars from the current fiscal year. Receipts would increase 9 billion dollars. The estimates of receipts are based on the expected continuation of the economic recovery. The proposed budget for 1959-60 is balanced with a small surplus of about 100 million dollars in contrast with a 12.9 billion dollar deficit estimated for the current fiscal year. The principal reductions in 1959-60 compared with 1958-59 are in the international affairs and finance, labor and welfare, commerce and housing and agriculture and agricultural resources functions. Expenditures for major national security programs in fiscal year 1959-60 are estimated to be a little lower than for the current fiscal year. Higher expenditures for military functions of the Department of Defense and Atomic Energy Commission are more than offset by declines in foreign military assistance and stockpiling of strategic and critical materials.



During the current fiscal year budget expenditures for agriculture and agricultural resources are expected to reach a peak of 6.8 billion dollars, due principally to a 2 billion dollar rise from 1957-58 in Commodity Credit Corporation price support activities in connection with the record 1958 harvests, particularly of wheat and feed grains. Expenditures in 1959-60 are estimated to total 6 billion dollars, down about 800 million from 1958-59 mainly because of termination of the Acreage Reserve of the Soil Bank. Expenditures for the Commodity Credit Corporation in 1959-60 are estimated to be a little lower than in 1958-59. Yields on 1959 crops are assumed to be a little below the 1958 record; however, part of the land which was in the Acreage Reserve of the Soil Bank may be used to produce additional price-supported crops in 1959. With the termination of the Acreage Reserve, expenditures for the Conservation Reserve are estimated to increase about 200 million dollars between 1958-59 and 1959-60.

### THE GENERAL BUSINESS SITUATION

Economic recovery continued in the fourth quarter of 1958 with further improvement in output, employment and incomes. According to a preliminary estimate of the U. S. Department of Commerce, gross national product--the value of goods and services produced--totaled 437 billion dollars in the full year 1958, compared with 440 billion in 1957. Apparently, the fourth quarter rate was at a new high. However, when the effects of higher prices in 1958 are eliminated, the volume of activity, or "real" gross national product had not fully recovered to the previous peak of the second quarter of 1957.

During the recent recession, gross national product, measured in current dollars, declined  $3\frac{1}{2}$  percent between the second quarter of 1957 and the first quarter of 1958. But because of further increases in prices, the real gross national product declined  $5\frac{1}{2}$  percent. In this connection, the Department of Commerce last month released for the first time quarterly estimates of gross national product adjusted for changes in prices (table 2). Heretofore, only annual estimates were available.

### Private Domestic Investment

A pickup in private residential construction and a slackening of inventory liquidation were the most important factors in the increase in private domestic investment since last spring. Total investment expenditures declined about a fourth during the recession, due mainly to cutbacks in business capital spending and inventory liquidation, and the level still is well below early 1957.



Table 2.--Gross national product, current and constant dollars, first quarter 1957 to third quarter 1958, seasonally adjusted at annual rates

Quarters	Gross national product	
	Current dollars	Constant (1957) dollars
	<u>Billion dollars</u>	<u>Billion dollars</u>
1957:		
I	436.3	441.6
II	441.2	442.8
III	445.6	442.4
IV	438.9	434.1
1958:		
I	425.8	418.0
II	429.0	419.0
III	439.0	428.3

U. S. Department of Commerce.

Private residential construction continued to increase in the final quarter of 1958, and by year-end was up about a fourth from the low in May. New nonfarm private housing starts climbed from a low of about 915,000 on an annual rate basis in February to about 1,430,000 in December. Outlays at least in the opening months of 1959 will reflect the continuation of work on a large number of units started late in 1958.

Inventory liquidation slackened as the economy began to recover last spring. By the end of November, liquidation had ceased in manufacturing. Inventories at retail were up slightly, mainly because of the buildup of 1959 model automobiles in dealers' hands. Plant and equipment expenditures in the fourth quarter of 1958 apparently increased a little from the low third quarter rate.

Table 3 ---Selected investment expenditures seasonally adjusted, second, third, and fourth quarters of 1958 with change

Item	Unit	1958			Change	
		II	III	IV	III over II	IV over III
Private construction:						
Private residential	:Mil.dol.:	4,085	4,470	5,020	385	550
Other (excl. industrial, commercial, and public utilities)	:Mil.dol.:	1,108	1,139	1,170	31	31
Plant and equipment spending:	:Mil.dol.:	7,761	7,427	8,014	-334	587
Change in manufacturing and trade inventories (book value) <u>1/</u>	:Bil.dol.:	86.4	85.0	<u>2/</u> 85.1	-1.4	.1
Manufacturing <u>1/</u>	:Bil.dol.:	50.2	49.3	<u>2/</u> 49.3	.9	0
Retail <u>1/</u>	:Bil.dol.:	24.1	23.7	<u>2/</u> 23.7	.4	0

1/ End of quarter figure.2/ End of November.

Department of Commerce and Securities and Exchange Commission.

## Consumer Income and Spending

Consumer incomes by December were up about 4 percent above the low in February, as wage and salary payments recovered rapidly. Between November and December consumer incomes declined some due to lower dividends, interest and transfer payments, but wage and salary payments rose nearly a billion dollars. Consumers have been willing to increase their spending as their incomes have improved. Consumer expenditures increased steadily the last three quarters of 1958.



Retail sales, seasonally adjusted, reached a new record of 17.5 billion dollars, in December, reflecting in part a very good Christmas season. This was up about 9 percent from the low in March and 4 percent above a year earlier. In the last quarter, durable goods sales, particularly automobiles, recovered and in December were up 14 percent from the low for the year in March and  $2\frac{1}{2}$  percent from a year ago. Nondurable goods sales continued to gain throughout 1958. In December nondurable goods store sales were 4 percent above a year earlier. Because of the increase in retail sales and little change in inventories since mid-year, stocks of goods in retail stores relative to sales are much lower than a year earlier. Some reordering to build up inventories is likely in coming months.

Consumer prices have been fairly stable in recent months. Declines in the cost of food since mid-year as supplies of some important farm products increased have just about offset gains in other categories. Prices were increased substantially this fall for the new 1959 automobiles. Medical care led the advance in services. Nondurable goods other than food, and durable goods other than automobiles were unchanged since August.

Table 4 .--Consumer price index, special groups, August 1957,  
April and November 1958 with percentage change

(1947-49=100)					
Group	1957 August	1958		Percentage change	
		April	November	April 1958: November 1958	
				from	from
				:August 1957:	April 1958
				Percent	Percent
All items .....	121.0	123.5	123.9	2.1	.3
Food .....	117.9	121.6	119.4	3.1	-1.8
All items less food ..	123.0	125.0	126.5	1.6	1.2
Commodities .....	114.6	116.6	116.6	1.7	0
Nondurables less food:	116.0	116.6	117.1	.5	.4
Apparel .....	106.6	106.7	107.7	.1	.9
Durables .....	108.4	109.6	112.8	1.1	2.9
New cars .....	126.6	131.5	144.2	3.9	9.7
Services .....	138.3	142.1	143.4	2.7	.9
Rent .....	135.4	137.3	138.4	1.4	.8
Medical care .....	138.6	142.7	147.0	3.0	3.0

## Employment and Industrial Production

The labor force increased about 500,000 in 1958 over 1957. Total employment has picked up sharply since mid-year but is still below a year earlier. With a larger labor force and a little smaller employment, unemployment at the year-end was 6.1 percent of the civilian labor force. Although down considerably from the  $7\frac{1}{2}$  percent rate in August, it still was well above the pre-recession rate of around 4 percent in 1955-57. Nonagricultural employment, seasonally adjusted, increased about 700,000 between April and December 1958, but it was still some 700,000 below a year earlier. About half of the increase in employment was in manufacturing, particularly durable goods firms. In the nonmanufacturing groups, moderate employment gains were made by the construction, trade, and Government groups.

The index of industrial production in December was up about 11 percent from the April low and was about 5 percent above a year earlier. Production in the cyclically sensitive hard goods industries declined 20 percent during the recession, reflecting the cutback in demand of producer and consumer durable goods and in new orders of 23 percent between May 1957 and April 1958. In the recovery since last spring new orders and production of durable goods were up 27 and 16 percent respectively. In nondurable goods industries, the changes were moderate. New orders in November were up 4 percent from April, and production was up 8 percent to a new high.

Table 5 .--New orders and production of manufactures, seasonally adjusted, for August 1957 and April and November 1958, with percentage change

Item	Unit	1957 August	1958		Percentage change	
			April	November	April 1958 from August 1957	November from April 1958
					Percent	Percent
New orders, total	Bil. dol.	27.3	24.5	27.9	-10.3	13.9
Durable	Bil. dol.	13.2	10.8	13.7	-18.2	26.9
Nondurable	Bil. dol.	14.2	13.7	14.2	-3.5	3.6
Production						
manufactures	:1947-49=100:	147	128	144	-12.9	12.5
Durable	:1947-49=100:	163	131	152	-19.6	16.0
Nondurable	:1947-49=100:	132	125	135	-5.3	8.0



Farm Cost Rates in 1957-58

The index of prices paid by farmers for production items has been rising almost steadily since the highs of economic activity in the summer of 1957. The index rose a little more than 6 percent from July 1957 to December 1958. Feeder livestock, which accounts for about 13 percent of the production items index, led the advance over most of this period but prices of industrial items have been responsible for most of the increase in recent months. With cheap and plentiful feed and strong demand for cattle breeding stock for herd expansion, prices of feeder livestock rose 57 percent from a low point in December 1956 to the high in May 1958. Since that time the rise has tapered off. Little further increase is expected in this index in 1959. Under the pressure of heavy supplies the index of prices paid for feed has been under downward pressure for the past 2 years. Prices of seed have fluctuated seasonally without any noticeable trend.

Table 6.--Prices paid by farmers for selected production items,  
interest, taxes and wage rates, 1957-58  
(1910-14=100)

Quarters	Farm wage rates	Feeder live- stock	Ferti- lizer	Feed	Farm machinery	Prices paid for production items, interest, taxes and wage rates <u>1/</u>
1957						
I	554	285		210	342	300
II	562	310	150	206	350	303
III	552	310	152	200	357	300
IV	565	329		195	358	304
1958						
I	567	369		195	361	311
II	567	388	151	203	373	314
III	566	379	151	202	376	314
IV	594	391		198		319

1/ Includes other items not shown in the table.

U. S. Department of Agriculture.

Prices of most industrial items inched upward throughout the recession. Prices of farm machinery, motor vehicles, building and fencing materials, and farm supplies advanced almost steadily. These comprise about 40 percent of the production items index. The uptrend in these costs has not accelerated any in response to the improvement in business activity. The index of farm machinery prices rose  $4\frac{1}{2}$  percent from last April, the trough of the recession, to December. This compares with an increase of nearly 5 percent in the same period of 1957. The motor vehicles index rose 4 percent from last April to December.

A year earlier the increase was 5 percent. Prices of other industrial commodities in the production items index have risen 2 percent or less since April. Farm wage rates have drifted upward almost steadily since late 1955. In the past 2 years the farm wage rate index has advanced 8 percent.

### AGRICULTURAL EXPORTS AND FOREIGN ECONOMIC AID

Agricultural exports so far this fiscal year (July-November) were valued at 1.6 billion dollars, some 6 percent less than in the corresponding period in 1957. Data for the first 5 months (table 7) indicate that much of the reduction occurred in exports of cotton. On the other hand, exports of tobacco and feed grains showed increases.

Table 7.--U. S. Agricultural exports of selected commodities  
July-November 1957 and 1958

Commodity <u>1/</u>	Unit	Quantity		Value	
		1957	1958	1957	1958
				Mil.dol.	Mil.dol.
Barley, grain	Mil. bu.	22.7	53.9	22.7	60.0
Corn, grain	Mil. bu.	78.5	79.5	107.9	103.4
Grain, sorghums	Mil. bu.	13.1	38.1	14.3	45.0
Oats, grain	Mil. bu.	10.3	9.2	5.8	5.9
Total feed grain	Mil.sh.ton:	3.3	4.7	150.5	214.3
Wheat and wheat flour	Mil. bu.	157.5	160.6	282.4	278.8
Rice, milled basis	Mil. lb.	481.3	620.0	40.4	47.6
Cotton, excluding linters	Mil.bales:	2.1	1.4	321.4	191.3
Tobacco, unmanufactured	Mil. lb.	268.5	271.8	197.9	203.2
Soybeans	Mil. bu.	42.5	42.4	104.2	98.0
Soybean oil	Mil. lb.	132.7	355.4	18.8	45.9
Lard	Mil. lb.	169.8	165.9	24.2	22.4
Tallow, edible and inedible	Mil. lb.	482.3	448.1	42.3	38.1
Other				519.7	465.9
Total Exports				1702.0	1605.5

1/Commodity totals exclude quantities and values exported "for relief and charity". These are included in total.

Derived from Bureau of Census data



The countries of Western Europe, which take about half of U. S. Agricultural exports, have recently established exchange convertibility with the dollar. While, except for a few countries, such convertibility is limited to nonresidents and to current transactions, the possibilities for freer trade with the U. S. are improved. The establishment of the European common market--including Belgium, France, Western Germany, Holland, Italy and Luxemburg--begins the elimination of trade barriers between these nations. In general, tariff restrictions on exports of agricultural products from outside the market, including the United States remained unchanged.

#### Foreign economic aid

The President's Budget message for fiscal year 1959-60 requests additional authority for foreign economic aid. Substantial portions of this aid will consist of loans and grants of foreign currencies obtained from the sales of agricultural commodities, direct grants and donations of farm products, and agricultural exports financed by dollar loans. In fiscal 1957-58 assistance of this kind composed about 44 percent of net economic aid provided to foreign nations by the United States (table 8 ).

The 1959-60 Budget recommends that Titles I and II of the Agricultural Trade Development and Assistance Act of 1954, which expires on December 31, 1959 be extended for 1 year, with the authorization increased from 6,250 million dollars to 7,750 million dollars for the Commodity Credit Corporation to incur costs and losses under Title I. This enables the President to carry out the program in the coming fiscal year in accordance with the provisions of PL 480. Under Mutual Security, Defense Support, new obligational authority of 835 million dollars was requested. About one-sixth of the 1959 appropriation was earmarked to finance the export of agricultural commodities.

Other programs which are intended to increase production efficiency and promote economic prosperity abroad, and thus directly or indirectly expand our foreign markets, were recommended in the following amounts: The Development Loan Fund, 700 million dollars and the Technical Assistance Program, 211 million dollars. The 1959-60 Budget also recommended 699 million dollars for special activities not covered by other categories of aid, including a special contingency fund, which last year was used to provide aid to Poland, and funds for United States participation in activities of international organizations. The latter includes such programs as refugee relief and the United Nations International Children's Emergency Fund.

Table 8 .--U. S. foreign economic aid, year ending June 30, 1958

Item	Grants and donations	Credits	Total
	Million dollars	Million dollars	Million dollars
Grants and loans of foreign currency proceeds from sale of agricultural commodities:			
Mutual Security	200	44	244
Title I, P.L. 480	71	148	219
Famine and other emergency relief grants (P.L. 480), Title II	88	---	88
Donation of agricultural commodities through private welfare agencies and the UN Children's Fund (P.L. 480), Title III	173	---	173
Mutual security dollar grants for agricultural commodities (estimated)	5	---	5
Export-Import Bank loan disbursements for agricultural commodities 1/		192	192
CCC credit sales		13	13
Total above	537	397	934
Gross "economic" grants and new credits	1,602	1,228	2,830
Net "economic" grants and credits 2/	1,535	612	2,147

1/ Excludes disbursements under general purpose loans made by the Export-Import Bank. Part of the proceeds of such loans, for instance the 250 million dollars disbursed under the loan to the United Kingdom may have been used for agricultural commodities.

2/ After deducting reverse grants and returns and principal collections on previous loans.

Department of Commerce, Office of Business Economics.



## LIVESTOCK AND MEAT

Livestock slaughter and meat production, led by a substantial increase in the supply of hogs, will be larger in 1959 than in 1958.

Weekly output of meat under Federal inspection rose above a year earlier about the middle of November. The November-December gain was due chiefly to unusually heavy slaughter weights for both hogs and cattle, though the number of hogs slaughtered also was up a bit. The increase ended a down-trend in meat output that had lasted two years.

Larger meat output in 1959 will come primarily from an increased slaughter of hogs. This will result from the 17 percent more pigs saved in the fall of 1958 than the previous fall, and the 13 percent larger 1959 spring pig crop in prospect. A big slaughter of fed cattle, at heavy weights, is in sight for the early months of 1959. For the year as a whole, however, cattle slaughter is expected to be only a little above 1958.

Prices of cattle were higher in late 1958 than a year before, and hogs were higher until early December. These well sustained prices apparently reflect some increase in consumer demand for meat. This is a favorable factor in the outlook for 1959. Nevertheless, the sizeable increase in the supply of hogs will result in considerably lower hog prices in 1959. Prices are expected to decline to a low in late winter or early spring. Prices will likely increase during the spring and decline during the fall, as is normal for those seasons. Although always well below 1958, no period of extreme reduction in hog prices seems in view for 1959.

The number of cattle on feed January 1 was record high, 11 percent more than January 1958. Feedlots contained more heavy cattle this January than last, when cattle were placed on feed later than usual, but about as many as 2 years ago. Cattle feeders in 13 of the leading States report intentions to market 13 percent more cattle in January-March 1959 than in the first quarter of 1958.

Prices of fed cattle may decline slowly this winter, and are likely to be lower than last winter. They may not regain 1958 levels until summer. Prices of lambs also may feel the effect of heavier wintertime meat supplies, and they may average somewhat less than last winter.

## DAIRY PRODUCTS

Wholesale prices for butter declined two to four cents per pound in the month that ended in mid-January. Both butter and cheese prices are again near support prices and CCC purchases are being made after numerous interruptions and small purchases from late September through December. The increase



in purchases stems mainly from the seasonal increase in milk production and large private holdings of cheese for this time of the year.

Milk production in the United States ran below a year earlier from May through September 1958. It began to run larger in October and in the closing 2 months it showed an increase of about 120 million pounds. The preliminary total of 126.1 billion pounds for the year is about 300 million pounds below the 1957 record but otherwise the largest on record.

The number of cows on farms declined more in 1958 than in any year since 1948 while output per cow increased to another new record. Numbers of milk cows probably will not show as large a decline in 1959 and total milk output is likely to increase some over 1958.

Prices to farmers for manufacturing milk and butterfat have been running a little above support prices, though below a year earlier. The price for manufacturing milk in the first 9 months of this marketing year averaged 11 cents per 100 pounds, above the support level, reflecting mainly the smaller surplus. For 1958, as a whole, the price to farmers for all milk was about \$4.15 per 100 pounds compared with \$4.20 in 1957. The butterfat price in 1958 averaged 58.4 cents per pound compared with 59.4 cents in 1957.

In contrast to lower prices to farmers for milk, retail prices for all dairy products except butter, have been running above a year earlier. The spread between prices to farmers for milk and retail prices of dairy products are at an all time high, except for butter in 1919 and 1920. Consumption of dairy products changed little from 1957 to 1958 except for an unusual rise in use of American cheese.

Purchases of dairy products under the support program in the first three quarters of this marketing year are equivalent (fat solids basis) to 2.3 billion pounds of milk compared with 4.6 billion a year earlier. Butter purchases are down 30 percent and purchases of American cheese are only one-seventh of those of a year earlier. Purchases of nonfat dry milk the first 9 months of this marketing year totaled nearly 700 million pounds compared with 590 a year earlier. At the end of 1958, unsold supplies of CCC included only 2.0 million pounds of cheese, 6.7 million of butter and 45 million of nonfat dry milk.

#### POULTRY AND EGGS

Farmers are likely to raise fewer replacement chickens in the spring of 1959 than the 436 million chickens raised in 1958. This would reverse the trend of hatchings of the past few months of seasonally light hatchings, when commercial hatchery production of egg-type chicks exceeded a year earlier by 25 to 30 percent.

The reduction in prospect would affect the size of the laying flock by late 1959, dropping it below the 326 million layers on hand January 1, 1959. However, the steady trend toward more eggs per bird probably will continue,



and egg production in every month of 1959 is likely to exceed the corresponding 1958 month. In December 1958 egg production was 4 percent larger than a year earlier. One percent more layers were laying at a 3 percent higher rate per bird.

Egg prices at the end of 1958 were slightly lower than in December 1957. Prices had been generally declining since mid-September, and the average for the fall was the second-lowest since 1954. Earlier in 1958, prices were above year-earlier levels. Prices are expected to stay below last year through the spring - while feed prices may continue slightly higher. This combination is expected to induce farmers to reduce the number of chickens raised this spring.

Broiler prices showed the beginning of a seasonal increase after the first week in January. Such a rise generally occurs after the holidays. Through the first few days of January, typical prices at the farm in Southern producing areas were about 14 cents per pound; later in some areas they rose to 15 and 16 cents. Even if a further seasonal rise materializes it is unlikely to lift prices in the South to the 20 to 22 cent level of last March, when market supplies were limited by extremely cold weather and high mortality in preceding months. Current chick placements and egg settings in broiler areas continue at a high rate, suggesting almost 15 percent increases over last year in broiler supplies from now through at least early April.

Turkey supplies in the next 4 or 5 months also will be large. Poult hatchings since September 1 have been 54 percent above the year before; this indicates that slaughter will be increased correspondingly, which will much more than compensate for the slight drop in January 1 cold storage holdings from the year before. At 162 million pounds, storage stocks were 8 percent short of last year's record for the date. Except for heavy toms, turkey prices ended the year weakly. The U. S. average price to farmers was 23.3 cents in mid-December, compared with 24.5 cents last December. Indications regarding the size of the breeder flock suggest that the 1959 turkey crop is likely to exceed the 78 million birds raised in 1958, but by a much smaller percentage than shown by the recent out-of-season monthly hatches.

Department of Agriculture purchases of turkeys for School Lunches have been continued into January. A similar program exists for egg solids (dried egg).

#### OILSEEDS, FATS AND OILS

Soybean farm prices moved up slightly in December 1958 but still averaged slightly below the support rate of \$2.09 per bushel. Crusher and export demand has been strong but the 1958-59 supply of soybeans is much larger than probable disappearance. The season average farm price is estimated at \$1.97 per bushel, 10 cents below last year and the lowest since 1943.

Soybean crushings in October-December 1958 are estimated at around 100 million bushels, far above any comparable period. Based in part on



inspection data, soybeans exports from October through early January are placed at 43 million bushels, about the same as the previous peak achieved in 1957. For the entire marketing year crushings probably will total about 390 million bushels and exports 85 million. These estimates indicate a carryover of around 90 million bushels on October 1, 1959. This would be nearly 70 million bushels above a year earlier and about 15 percent of the 1958 crop. Next summer, CCC probably will again be a supplier of beans and will hold the major part of the carryout of 1958 crop beans next October 1. Farmers can take out loans and purchase agreements through January 1959. They can redeem their loans any time up to May 31, 1959.

Soybean oil prices (crude, Decatur) have been relatively stable, averaging about 10.0 cents per pound during October-December 1958, about 1.5 cents below the previous season. Oil prices for the entire 1958-59 marketing year will average lower than the 10.8 cents per pound in 1957-58 when sharply reduced supplies of cottonseed oil and lard helped maintain bean oil prices. Although both domestic and export demand will continue strong, substantially larger 1958-59 supplies of competitive lard, as well as bean oil, will exert downward pressure on the general level of food fat prices. On the other hand, the demand for bean oil has been strengthened to the extent that it replaces cottonseed oil that has been acquired by CCC and withheld from the domestic market.

Cottonseed oil prices (crude, Southeast mills) this fall and winter have been relatively stable. The average 11.3 cents per pound is about 2 cents less than last year and the lowest since 1955, reflecting mainly the larger output of cotton oil, weak export demand and the record supplies of edible oils and the general downward movement in edible oil prices. Oil prices for the entire 1958-59 season will average much less than the 13.6 cents per pound of last season.

Lard output in 1958-59 is now forecast at 2,750 million<sup>0</sup>pounds, up about 300 million pounds from last year, reflecting a rise in hog slaughter along with higher lard yields per hog killed. Most of the increase will take place during the last half (March-September) of the marketing year. Lard prices (tanks, loose, Chicago) have generally moved downward this marketing year, averaging 10.4 cents per pound during October-December 1958, about 1.0 cent below the previous year. Lard prices for the entire 1958-59 marketing year will average somewhat lower than the 11.6 cents per pound in 1957-58. Domestic disappearance is expected to rise, due mainly to increased use of lard in the manufacture of shortening.



## FEED

Feed prices have advanced from seasonally low levels reached last summer and fall. A continued good demand for commercially prepared feeds, partially stimulated by unusually cold weather in many areas, has strengthened the demand for feed ingredients, especially the byproduct feeds. The index of high-protein feeds rose nearly 20 percent from October to early January when it averaged about a fourth higher than a year earlier. Prices received by farmers for feed grains increased 7 percent from November to December, when they averaged 3 percent higher than in December 1957.

The average price received by farmers for corn advanced from 94 cents per bushel in November to \$1.02 in December, only 4 cents below the national average support of \$1.06 per bushel to noncompliers and 4 cents above the average price in December 1957. Prices of the other feed grains also advanced from November to December. The mid-December price of oats averaged 58.9 cents per bushel and barley 91.5 cents per bushel, both within 2 cents per bushel of the 1958 national average supports, while the sorghum grain price at \$1.68 per 100 pounds was 15 cents below. Since feed grain prices generally are approaching the 1958 supports, any further price advances during the next few months are expected to be less than seasonal.

The much better quality of the 1958 corn and sorghum grain crops and the large quantities going under price support also have contributed to the rise in prices of these grains. Through December 31, 109 million bushels of corn had been placed under price support, compared with 81 million through January 15 of the 1957-58 season. The 178 million bushels of sorghum grain was much more than through December 15 of 1957-58 and was nearly equal to the quantity through January 15. Much more oats, but less barley has been placed under price support so far this year than last.

The total supply of feed grains and other concentrates for 1958-59 is estimated at 246 million tons, 12 percent larger than in 1957-58. While heavier disappearance of feed grains is in prospect for 1958-59, a much larger carryover into 1959-60 also is expected, probably around a third larger than at the beginning of 1958-59. The corn supply of nearly 5.3 billion bushels is 9 percent above last year and a corn carryover of over 1.8 billion bushels is in prospect for next October 1. Big supplies of the other 3 feed grains are on hand and record carryover stocks of each of these grains also are in prospect.

## WHEAT

Cash wheat prices on January 6 were generally 3 to 5 cents below the highs for the marketing year to date, with soft red at St. Louis 1 cent under its high. The average price received by farmers in mid-December was \$1.73, 1 cent below mid-November, the high for the season to date and 21 cents below a year earlier. The national average support rate for 1958-crop wheat at \$1.82 is 18 cents below a year earlier. In mid-January, prices at terminal markets



were unchanged to about 4 cents below a month earlier. Exports of all wheat and products, July through November, were about 170 million bushels, slightly above the 163 million for the same period a year earlier.

On January 16, the price of No. 1 Dark Northern Spring Wheat, ordinary protein, at Minneapolis, at \$2.05 and that of No. 2 Soft Red Winter at St. Louis, at \$2.03, were 12 and 8 cents, respectively, below their effective support levels. On the other hand, the price of No. 2 Hard Red Winter, ordinary protein, at Kansas City, at \$1.93, was about 18 cents below the effective support, reflecting large supplies of this type of wheat. The price of No. 1 Soft White at Portland at \$2.03 was 1 cent above the support level.

Through December 31, growers had placed 489.1 million bushels of 1958-crop wheat under price support and purchase agreements. The quantity placed under support this season is expected to exceed the previous high of 557 million bushels from the 1953 crop. In that year, 431.0 million bushels had been placed under the programs by December 15 and 476.6 million bushels through January 15, 1954. Through December 31, farmers had repaid loans on 25.2 million bushels of wheat. There also remained 13.6 million bushels of 1957-crop resale and 2.8 million bushels of 1956-crop resale.

Total supplies of wheat for the year beginning July 1, 1958 are estimated at 2,353 million bushels, 15 percent above the previous record in 1956-57. Supplies consist of the carryover of 881 million bushels, record production of 1,462 million and an allowance for imports of about 10 million bushels. Domestic disappearance in 1958-59 is estimated at about 610 million bushels, not greatly different from recent years. Exports may total about 430 million bushels compared with 402 million in 1957-58. These figures would indicate a carryover July 1, 1959 of above 1,300 million bushels, about 435 million above July 1, 1958. This increase in the carryover will be the first since 1955. From 1955 to 1958 the carryover was reduced 155 million bushels.

A 1959 winter wheat crop of 957 million bushels is indicated on the basis of conditions December 1 and assuming normal weather, insect, and disease conditions for the remainder of the 1959 crop season. Although well below 1958, such a crop still would be the fifth largest of record and 17 percent above average. If 13.0 million acres are seeded to spring wheat (12.3 in 1958) and average yields of the last 3 years of 19.5 bushels per acre are obtained, a spring crop of 253 million bushels would be produced. Adding this to the indicated winter wheat crop, a total production of 1,210 million bushels would be indicated. If disappearance should hold at the 1958-59 estimated level of about 1,040 million bushels, a crop of this size would increase the carryover on June 30, 1960 by about 170 million bushels.

#### FRUIT

Much larger supplies of citrus fruits remained to be marketed after January 1, 1959 than a year earlier, when they were down because of a relatively light California orange crop and freeze damage to the Florida citrus



crops. Also, utilization of the 1958-59 crops in Florida has been retarded because of delayed maturity. Supplies of apples probably were not greatly different from a year ago and those of pears were somewhat smaller. Processor demand for citrus for canning and freezing and consumer demand for fresh and processed fruits are expected to remain strong this winter and spring.

Fresh market shipments of Florida oranges and grapefruit were much lighter during November and early December than in this period of 1957, and the 1958-59 crops are smaller than those in prospect before the freezes a year ago. As a result, prices at shipping points in Florida have continued generally above year-earlier levels though declining as shipments increased seasonally. Prices this winter and spring are expected to average below those of the first half of 1958, when they rose sharply. Even so, prices probably will average higher than in the first half of 1957. Auction prices for the larger supplies of California oranges also are expected to average under the unusually high levels of the first half of 1958.

Early-season output of Florida frozen orange concentrate has lagged behind that of a year ago, mainly the result of delayed maturity of the crop. Carryover stocks last fall were the lightest in a number of years. Even with smaller movement from packers to distributors this season, stocks held by packers in early January were much smaller than a year earlier. Output should increase sharply during January and total much larger in 1958-59 than the reduced pack in 1957-58. For Florida canned single-strength orange and grapefruit juice, the story is much the same as for frozen orange concentrate--lighter carryover, smaller early-season pack and movement, and much smaller stocks in early January. Output should run seasonally heavy this winter.

Year-end cold-storage stocks of apples totaled much the same as a year ago. They were somewhat lighter in the Western States but somewhat heavier in the Eastern States. Prices for apples at important shipping points have tended to increase since October, and in early January they fluctuated around the levels of a year earlier. Year-end stocks of pears, mostly in the Western States, were smaller than a year ago. Auction prices for pears have shown no marked trend since last fall, and in early January they averaged somewhat under a year earlier.

Cold-storage stocks of frozen deciduous fruits on January 1, 1959 were about the same as a year earlier. Stocks of frozen strawberries, the largest item among frozen fruits, were down about 8 percent from a year earlier.

#### COMMERCIAL VEGETABLES

##### For Fresh Market

Supplies of vegetables for fresh market sale are expected to be materially larger this winter than last winter when many crops, especially those in Florida, were severely damaged by freezes and excessive rains. Estimates



of the Crop Reporting Board, as of January 1, indicated an aggregate production of vegetables for winter harvest of 31.4 million hundredweight, about 12 percent more than a year ago, but about in line with the 1949-57 average. Among the more important winter vegetables, prospective production of tomatoes is almost 3 times as large as the very light output of last winter, green peppers, 4 times as large, and snap beans and sweet corn about 5 times as large. Production of celery and escarole also promise to be materially larger and cabbage and lettuce slightly larger. A few items including artichokes, beets and cauliflower are expected to be in smaller supply. With larger overall supplies in prospect, prices both at the grower and retail levels are expected to average much lower than the record or near record levels of a year earlier. As a result, imports from Cuba and Mexico probably will be materially lighter than in the early months of 1958.

### Processed Vegetables

Supplies of commercially canned vegetables available for distribution during the remainder of the current marketing year appear to be moderately above those of a year earlier, and at or near record levels. Holdings of sauerkraut, tomatoes, tomato juice and most tomato products are substantially larger and those of green peas and snap beans moderately larger. On the other hand, stocks of asparagus and sweet corn are materially smaller than a year ago. Lima bean stocks also probably are smaller.

Unlike canned vegetables, supplies of frozen vegetables are somewhat smaller than a year ago. Total cold storage holdings of frozen vegetables on January 1, 1959 amounted to 847 million pounds, 4 percent less than on January 1, 1958. However, aggregate holdings were still 14 percent above the 1953-57 average, and supplies of most items appear ample.

Because of smaller supplies of a number of items and generally higher distribution costs, retail prices of most processed items during the remainder of the current season are expected to average a little higher than a year earlier.

### POTATOES AND SWEETPOTATOES

Estimated production of potatoes for winter harvest, at 4.3 million hundredweight is down 14 percent from last winter. But stocks of fall crop potatoes on January 1 amounted to about 107 million hundredweight, 18 percent larger than on January 1, 1958, and 16 percent above the 1950-57 average. Diversion of fall potatoes to nonfood uses has been heavier than last season but the current heavy stocks mean continuing burdensome supplies of potatoes and low prices throughout the winter.

Production of sweetpotatoes in 1958 was about the same as in 1957. Judging from current information on shipments and unloads from States with the bulk of storage facilities, remaining supplies for sale probably are a little larger than those a year ago. Prices paid to farmers in mid-December



averaged \$4.54 compared with \$5.04 in mid-December 1957. Prices are expected to advance seasonally into the spring, but probably will average moderately below those of a year earlier.

#### DRY BEANS AND PEAS

Supply of dry beans is substantially larger than a year ago as a result of the larger 1958 crop. During the first half of the season demand has been quite active and prices, although substantially lower than last season, have held up relatively well. Domestic use in the first half of 1959 probably will be a little larger than a year earlier and exports, stimulated by foreign donations and sales for foreign currency, probably will be up substantially. Prices are likely to continue near current levels, but average substantially below those of a year earlier.

Dry field peas are in light supply as a result of the small 1958 crop. Export demand has been very active. Prices to growers are currently almost double the low levels of a year earlier, and retail prices are also higher. With light supplies available and anticipated active demand, prices are expected to show some further advance.

#### COTTON

After a slow start, domestic mill consumption in recent weeks has been above a year earlier, even though the number of actual days of mill operation were lower. In the first 4 months of the season, 2.8 million bales were consumed and the 1958-59 total is estimated at around  $8\frac{1}{4}$  million bales.

Despite the increased mill use of cotton, purchases at the 14 markets have been slow and consisted largely of the lower grades. As a result, 5.4 million bales from current ginnings had gone under loan by January 9. The volume of cotton placed under loan to date is larger than in any other years except 1953 and 1955 when the crops were considerably larger. Ginnings through December 13 totaled 10.9 million bales, 94.5 percent of the estimated crop.

Prices at the farm have trended downwards as the harvest progressed. The mid-December price of 30.29 cents per pound received by farmers for upland cotton was more than seasonally below November, but 2.10 cents above a year earlier. The December price reflected 78 percent of parity, 3 percentage points below last year; the December parity price, 36.93 cents, was 1.5 cents above a year ago. Market prices for cotton have varied less than a half cent during most of the season. However, the average 14 spot market price of Middling inch cotton in December at 34.41 cents per pound was at its lowest level since November 1957. Spot prices reached a season low of 34.31 on January 9.

Lower cotton prices and firmer fabric prices have increased mill margins. In December mill margins widened for the second consecutive month. At 25.06 cents per pound they were 10 percent above a year earlier. Improved margins, low trade inventories and firm consumer demand are encouraging factors for further increases in mill consumption.



The export picture is becoming increasingly unfavorable. Early estimates of large foreign production and reduced consumption are being confirmed. Continued weakness in foreign prices is evident, with quotations on the higher grades of foreign upland type cotton 4-5 cents below comparable U. S. qualities. Egyptian extra-long staple cotton (Karnak, FG) was quoted on the Liverpool market in mid-January at around 34 cents per pound, about 27 cents below quotations for American Egyptian cotton grade 3.

Exports from the United States through November totaled 916,000 bales, nearly 48 percent below a year ago. This indicates that the total for 1958-59 will fall below 4 million compared with 5.7 million running bales in 1957-58. CCC sales for export during the current season, and registrations under the payment-in-kind program totaled about 2.1 million bales through January 5. Much of this cotton will receive additional special financing under the Mutual Security Act, PL 480, and Export-Import bank loans.

Total disappearance this season may fall below 12 million running bales, but is likely to exceed the 1958 production of 11.5 million running bales. Thus, a further small decline in the carryover still appears likely.

Marketing quotas were overwhelmingly approved for the 1959 crops of upland and extra long staple cotton at referendums held December 15. Price support for the 1959 crop of upland cotton will be announced on or before January 31. Under the Agricultural Act of 1958 the minimum support level for Choice A cotton (available to farmers staying within the original allotments) is 80 percent of parity.

#### WOOL

During the first 2 weeks of wool auctions following the holiday close, prices at the British Dominion sales were somewhat irregular. At mid-January, Boston quotations for domestic wools were unchanged from a month earlier. The December average of prices received by domestic growers for shorn wool was 36.1 cents per pound, grease basis, the same as a month earlier, but due to the easier world demand and slightly larger world supplies this season, it was 9.8 cents lower than for December 1957.

During November, the average weekly rate of domestic mill use of apparel wool was up 4 percent from the previous month and up 29 percent from the very low rate of a year earlier. November was the second month in a row and the second month since October 1956 for which the rate of consumption was above a year earlier. Due to the relatively low rate of mill use during the early months of the year, the 11-month total, 198 million pounds, scoured basis, was 31 million pounds or 13 percent less than for January-November 1957.

The November average weekly rate of domestic mill use of carpet wool was 9 percent above October and up 53 percent from November 1957. It was above a year earlier for the fourth month in a row. As for apparel wool, the 11-month total was 13 percent smaller than that for 1957.



U. S. imports of both dutiable and duty-free wool for consumption continued below a year earlier during September. Imports of both were below a year earlier for each of the first 9 months of 1958. The smaller imports reflect the smaller mill use of both apparel and carpet wool during those months and probably some reduction in stocks of the raw fiber in this country.

### TOBACCO

Marketings of the 1958 burley crop are nearing completion. Prices at auctions for the season through mid-January averaged a record 66 cents per pound compared with 60.2 cents for last season. The previous high was  $63\frac{1}{2}$  cents for the 1956 crop. Price spreads among grades tended to be narrower than a year ago and more nearly similar to those in the 1956 crop season. In each of the last 3 seasons, prices of many grades were considerably closer together than in preceding years.

Burley supplies for the current marketing year at 1,768 million pounds are 1 percent lower than for 1957-58. This supply is about 3.4 times probable 1958-59 disappearance compared with nearly 3.6 for each of the previous 2 years.

At auctions for the dark air-cured types, One Sucker and Green River, prices averaged 38.6 and 36.5 cents through mid-January compared with 36.9 and 34.3 cents in the corresponding period of last season. The average price for Virginia sun-cured through mid-January was 37.4 cents per pound compared with 34.7 cents a year earlier.

Auction prices for Virginia fire-cured averaged  $37\frac{1}{2}$  cents per pound through mid-January -- 5 percent lower than in the comparable period of last season. Auctions for Kentucky-Tennessee fire-cured, type 22 opened January 19, and for type 23, January 20.

The 1958-59 supplies of fire-cured and dark air- and sun-cured are about 7 or 8 percent smaller than for 1957-58. Supplies of these types, though the lowest for many years, are still ample in relation to domestic using and exports. These types are used domestically mainly in snuff and chewing tobacco.

The output of cigarettes in calendar 1958 rose to a new record high of about 462 billion--4.4 percent greater than in 1957. About 96 percent of the total output was smoked by U. S. smokers. Cigarette consumption is expected to continue upward this year.

The 1958 consumption of cigars and cigarillos by U. S. smokers is estimated at nearly  $6\frac{1}{2}$  billion--4 percent above 1957 and the highest since 1929 when 6.8 billion were smoked.

The 1958 output of smoking tobacco for pipes and roll-your-own cigarettes probably totaled 76 million pounds--8 percent above 1957, the year of lowest production this century. A smaller gain is likely in 1959.

The 1958 output of chewing tobacco and snuff are estimated at near 69 million and  $34\frac{1}{2}$  million pounds, respectively--both down approximately 5 percent from 1957. Consumption of chewing tobacco will probably continue to trend downward but snuff may hold fairly steady in 1959.

Exports of unmanufactured tobacco in calendar 1958 probably totaled 475 million pounds (export weight)--5 percent lower than in 1957 and 2 percent lower than the recent 10-year average.





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